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New Zealand

Avocado

New Zealand Avocado Situation and Outlook

2002

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Report Highlights: According to the industry, New Zealand's avocado exports are forecast to increase from 7,288 MT in 2001/2002 to 10,450 MT in 2002/2003, with further significant expansion expected. Australia and the U.S. are set to remain the major export destinations, although efforts to further develop new markets are underway. The industry will target the U.S. market as a major export destination in 2002/2003, after reduced shipments to the U.S. following last September's terrorist attacks. Future competition from Californian, Chilean, and Mexican producers is expected to be met by focusing on superior fruit quality.

Includes PSD changes: No
Includes Trade Matrix: Yes
Unscheduled Report
Wellington [NZ1], NZ

SECTION I. INDUSTRY ORGANIZATION & PRODUCER STRUCTURE

The avocado industry is a rapidly growing sector in New Zealand's horticultural industry. The industry developed into a Recognized Product Group under the New Zealand Horticulture Export Authority (HEA) which itself was established through the New Zealand Horticulture Export Authority Act 1987. This means that the avocado industry is officially recognized by the New Zealand Government which enables it to implement quality standards, export grade standards, and rules and procedures that must be followed by growers, packhouses, and exporters. The industry is organized under the Avocado Industry Council Ltd (AIC) and consists of two shareholders: the NZ Avocado Growers Association Inc. (AGA) and the Horticultural Exporters Council Inc. (HEC). Within this structure and according to the HEA Act, all exporters are required to hold an export license and all current and potential new exporters must furbish a pre-season marketing plan that conforms with the Product Group's overall Export Marketing Strategy. The Export Marketing Strategy is viewed as a crucial component under the AIC in order to achieve orderly long-term growth and profitability for Avocado growers, exporters, and the industry as a whole. The AIC is charged by the HEA Act to formulate and review the export marketing strategy, and among other issues, report to the HEA the suitability of exporters to obtain or retain export licenses.

The focus of the export program is, consequently, the co-ordinated management of quality product to export markets. An extensive system of pre-season crop estimation, packhouse and exporter reporting, and a quality program underpin this strategy and ensure successful implementation. Currently, 14 licensed avocado exporters source avocados from 26 export registered packhouses. Exporters negotiate individually with packhouses for the supply of export fruit. Some attempts are being made by exporters to diversify into new markets (Japan) but the main export markets are, and are likely to remain, the U.S. and Australia. Smaller markets include Singapore, South Korea, Hong Kong, Taiwan, and the Pacific Islands. To support the industry structure, the AIC collects an export levy of NZ$ 0.6 (US$ 0.26) per 5.5 kg tray equivalent which is collected at the first point of sale. In the 2001/2002 season this is estimated to amount to approximately NZ$ 1 million (US$ 440,000). Promotional activities in export markets are not co-ordinated industry-wide but planned and organized by exporters individually. Costs for such activities are met by exporters. Packhouses, in turn, negotiate contracts with licensed export growers.

The main growing regions for avocados are the Western Bay of Plenty, Mid North and Far North, Auckland and the Gisborne and Opotiki regions. More than 70 percent of the avocado crop is produced in the Western Bay of Plenty. The main variety grown is the Hass. Avocados are harvested all year but the main harvest and export season is in the period from August through to January. In the 2000/2001 export season (August 2000 to January 2001), 700 growers were registered for export (from a total of 850) comprising a total growing area (bearing acreage) of 1,423 hectares with average yields of 9 tons per hectare (range: 3 to 30 tons/ha). In 2001/2002, total growing area had increased to 1,637 ha, and export grower numbers had increased to 900. About 1,500 hectares of young trees have been planted over the previous five years. The industry anticipates that over the coming three to five years about 300 hectares per annum of new plantings will be established. The aim of the industry is to increase the total area under production as well as the proportion of exportable yields (currently about 65 percent of total production). The industry's long-term projection is for an increase in production area (or bearing acreage) of about 10 percent per annum until 2010, when total bearing acreage by that time is expected to be between 4,100 to 4,500 hectares. Over this period, yields per hectare are also projected to increase from the current 9 tons to between 12 and 15 tons per hectare.

The industry's position on genetic modification guarantees customers that all fruit is the result of natural selection and traditional breeding techniques. The AGA also does not support, promote or fund the importation or use of genetically modified avocado plant material.

SECTION II. STATISTICAL TABLES

Table 1: Avocado Production, Export and Domestic Volumes

Avocado Production (tons)			
Year	domestic	export	total
1999/2000	2,750	6,192	8,942
2000/2001	3,575	7,934	11,509
2001/2002 (estimate)	7,445	7,288	14,733
2002/2003 (forecast)	6,560	10,450	17,010
2003/2004 (projection)	7,050	15,400	22,450
2004/2005 (projection)	8,000	19,000	27,000
2005/2006 (projection)	11,000	23,500	34,500
2006/2007 (projection)	11,500	27,500	39,000
2007/2008 (projection)	12,500	31,500	44,000
2008/2009 (projection)	13,000	39,000	52,000
2009/2010 (projection)	14,000	44,000	58,000

Source: Avocado Industry Council Ltd. (AIC)

Note: The forecast/projections are derived from estimates provided by the AIC. In this report the forecasts are based on an average scenario in terms of a) the increase in bearing acreage (between 4,100 to 4,500 ha by the year 2010), and b) yield increases per hectare of bearing acreage (between 30 to 50 percent average yield increases by the year 2010).

* export season is from August to January

Table 2: Exports by Markets

Export Volumes per Year and Export Market (tons)			
Year	Australia	USA	Other
1999/2000	3,074	2,900	218
2000/2001	3,573	4,291	70
2001/2002	4,675	2,200	275

Source: AIC

SECTION III. PRODUCTION STATISTICS, EXPORT MARKETS & CURRENT SITUATION

Table I indicates the total avocado production — as well as exportable and domestic volumes — achieved over the previous two seasons, current final estimates for 2001/2002 season, and projections up to the 2009/2010 season. Table II indicates the export market shares for New Zealand's major markets — the U.S. and Australia. While 54 percent of the export crop in 2000/2001 was exported to the U.S., compared with 45 percent to Australia, the 2001/2002 season saw a reversal of this situation with 30 percent of the export crop going to the U.S. and 64 percent to Australia. While, according to industry officials, this does not reflect a long-term trend, the reduced export volumes to the American market are attributed to the September terrorist attacks which caused a short-term retraction of the American food service market. The market recovered quickly in the weeks proceeding and those exporters that remained in the market did quite well (Chile). However, by that time, New Zealand had already begun to divert avocados to Australia. While most exporters withdrew from the U.S. market after September 11, three remained with small volumes for another 8-10 weeks with reduced volumes, which was seen as an important strategy to retain a credible profile in the U.S. market and ensure future access to customers. In the Australian market, aggressive New Zealand promotional activities, and NZ exporters' co-ordinated and disciplined supply to the market — which was facilitated by the fact that New Zealand volumes were down due to overly wet weather (reducing exportable volumes by 550 tons) — meant that New Zealand growers achieved their highest returns in the Australian market for six years. In addition, the Australian crop was down (the flush of the selling season for Australian production was from July to spring) and enabled New Zealand to enter the market three weeks earlier than usual.

Traditionally, the Australian and U.S. markets differ in terms of supply chains, customer type, as well as product specifications. Exports to Australia are increasingly targeted at supermarket chains (Coles, Woolworths), as opposed to wholesale markets. Supermarkets in Australia also prefer larger fruit sizes (25 fruits per tray) than the U.S. food service market. NZ growers, consequently, did more select picking, targeting two to three picks. The successful alliance of NZ exporters with Woolworths in Australia was part of a direct-to-retail approach which included fruit ripening. This took pressure off the Australian wholesale market and also helped increase sales (about 30 percent above previous highs). In addition, Coles rolled out a nation-wide program which further contributed to the success.

SECTION IV. OUTLOOK

According to the industry, the prospects for New Zealand avocado as in the U.S. remain good for the long-term future, despite intense competition from producers in California, Chile, Mexico, and the Dominican Republic. New Zealand is confident to retain its position by offering superior quality. Assisting New Zealand's advantage in the coming season are the recent high winds in the Santa Anna district which have affected the Californian crop, reportedly meaning a loss of two to three weeks retail volume. Rapid consumption growth (15 to 20 percent in 2001) in the U.S. is also viewed as beneficial for NZ exports, the growth mainly stemming from Mexican restaurants and a large Hispanic population. In the season just finished, this growth meant that avocado prices were pushed higher than is ususal despite a record Californian crop.

With increasing volumes of avocados coming on stream in New Zealand and competition intensifying, New Zealand exporters are also looking at developing new markets. Japan has emerged as one such potential market. Nevertheless, the AIC believes that the U.S. market holds the greatest potential and spreading efforts to too many other markets could have serious negative consequence for ongoing sales in the U.S. Industry officials in New Zealand believe that the overall outlook is very positive if New Zealand can retain its preferred counter-season supplier status which is closely linked to high fruit quality (through growing programs such as AvoGreen®). Such a status is crucial in order to absorb the increasing export volumes (up 43 percent in 2002/2003).